

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
BOARD OF DIRECTORS MEETING**

March 8, 1999

*****Wilson Room***
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704**

MINUTES

Board Members Present: Marlene Wright, Vice-Chair
 Jim Doyle, Member
 Herb Johnson, Member
 Peter Schlegel, Member

Board Member Not Present: Sam Ray, Chair

District Staff: Mark R. Stratton, General Manger
 Joyce E. Osborne, Recording Secretary
 Lisa Chase, Legal Counsel

Call To Order and Roll Call

Jim Doyle, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board meeting to order at 5:12 p.m. Herb Johnson, Peter Schlegel and Marline Wright were present. Sam Ray was not present.

Executive Session

Mr. Johnson made the motion that the Board of Directors move to Executive Session. Ms. Wright seconded the motion and it passed unanimously. The Board went into Executive Session at 5:13 p.m.

Executive Session pursuant A.R.S. § 38-431.03 (A)(3) (consultation for legal advice with the attorney or attorneys of the District) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(4), (to consider the Board's position and instruct its attorneys in pending or contemplated negotiations or litigation) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(7) (to negotiate for the purchase or lease of real property) regarding the following:

- A. Amendment of Purchase Agreement to Acquire Hub Water Company.
- B. Change Order No. 1 to the Martin C. Lang General Contractor, Inc. Contract for the New District Office and Maintenance Building.

The Board returned from Executive Session at 5:58 p.m.

Regular Session

I. Call To Order and Roll Call

Mr. Doyle, Chair of the Board of Directors of Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 6:03p.m.. Mr. Herb Johnson, Mr. Pete Schlegel and Ms. Marlene Wright were present. Mr. Ray was not present.

II. Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – January 29, 1999 Study Session
- B. Approval of Minutes – February 8, 1999 Board Meeting.
- C. Approval of Minutes – February 11, 1999 Special board Meeting.
- D. Ratification of Billing Adjustments.
- E. Ratification of Agreement for Right-of-Way Acquisition Consulting Service.

Ms. Wright made a motion to approve the consent agenda. Mr. Johnson seconded the motion.

Mr. Schlegel asked why the District did not pay the full amount to a customer that had a billing adjustment of over \$100 that was caused by District construction. Mr. Land explained that no additional expenses had been incurred on the part of the customer due to the construction and that the credit was calculated based on average bills in prior years and in the same month and was adjusted to that level.

Mr. Doyle called for a vote for the motion to approve the consent agenda items. The motion passed with Ms. Wright, Mr. Doyle and Mr. Johnson voting for the motion and Mr. Schlegel abstaining because he had not been present at the February 8, 1999 meeting .

IV. General Business – Items for Discussion and Possible Action

A. Election of Chair and Vice-Chair for the Board of Directors.

Mr. Stratton clarified that this agenda item had been postponed since the January 11, 1999 Board meeting per the Board's direction. This was to ensure consistency with signatures for the bond sale and its final closing, which was completed in February 1999.

Mr. Doyle made a motion to nominate Sam Ray for Chairman. Mr. Johnson seconded the motion.

Mr. Stratton said that even though Mr. Ray was not present, he had talked to him and that Mr. Ray would accept the nomination if that was the Board's decision. Mr. Doyle called for a vote for the motion to elect Sam Ray as Chair. The motion passed unanimously.

Mr. Johnson made a motion to nominate Marlene Wright as the Vice Chair. Jim Doyle seconded the motion and it passed unanimously.

Ms. Wright asked that she not conduct tonight's meeting since she was still learning Robert's Rules of Order. Mr. Doyle said he did not mind conducting as the Chair until the next meeting.

Mr. Johnson asked if there were any signatures required for any more bond information and Mr. Land said that everything had been completed. Mr. Johnson wanted to make the Chair and Vice Chair position effective on March 23, 1999 which is the scheduled time for the District rate hearing.

Mr. Tenney, Assistant to the General Manager, said if the Vice Chair wants to direct Board members to complete the meeting, they may do so but he would hesitate in setting another date instead of today because there are documents that need to be signed by the Vice Chair tonight.

B. Financial Report.

Mr. Land, Chief Financial Officer of the District, distributed a new corrected financial report. The correct financial report shows that the projected budget is in line and revenues are in line exceeding expenditures by \$78,000 over what was budgeted. Mr. Land pointed out that the correction was on metered sales and the figure should have been \$7,400,000.

Mr. Johnson commended District staff for carrying out a successful year and sticking to the original budget all of which points to the fact that the District is doing fine.

Mr. Stratton commented that while the City of Tucson is concerned about water supply for the summer, the District system is operating well, has backup through different systems, supplemental water can happen without having to turn valves and that well production is able to meet peak demands without problems. He is sure the District should be in good condition for the summer months ahead.

C. Status of March 23, 1999 Public Hearing.

Mr. Tenney, Assistant to the General Manager, gave an update on the public rate hearing. Mr. Tenney said that the District has met the requirement of notification on paper ten days prior to the rating hearing and that Bldg. I has been reserved at Casas Adobes Church for the evening of March 23, 1999. A bill insert is being sent to District customers inviting them to the public hearing. Mr. Tenney explained that the rate hearing also provides an opportunity for the District to discuss what

the District has been doing, the status of the Capital Improvement Program, and the reasons behind proposed rate increases. The current rate increase is the second of the five increases that the District informed customers about prior to bond election. After the presentation about the District and its accomplishments, the meeting will allow for anyone in audience to make comments about the proposed rates and provide recommendations. Afterwards, the Board can chose to act on the proposed rates.

Mr. Schlegel asked if a report could be prepared regarding the feasibility of discussing a rate increase, but not initiating the increase until January 1, 2000. Mr. Tenney said that the Board had held a study session on January 29, 1999, which Mr. Schlegel was unable to attend due to surgery, and alternatives were discussed at that time. The Board directed staff at that time to present to customers a proposed across-the-board 4% rate increase for April 1999. Mr. Land said that the bond rating agency and insurance agency were given the proposed rate increase for January 1999 and they were not happy about postponing the rate increase since they are backing the insurance and the bonds.

Mr. Schlegel wanted to be assured that the Board and District staff are prepared with hard numbers and sufficient backup to argue strongly with issues that may be brought from the audience.

Mr. Tenney said one item that should be discussed is the new office building and staff needs to show how the building has been financed separate from the bond proceeds and its associated rate increase for the debt retirement.

D. Approval of Water Service Agreement with Jim Luckow, Dave Pooley, Carlos and Bertha Nava.

Mr. Schlegel made a motion to accept the approval of a water service agreement with Jim Luck, Dave Pooley, Carlos and Bertha Nava. Mr. Johnson seconded the motion and it passed unanimously.

E. Approval of Revised Amendment No. 3 to Architectural Services Agreement with Terry Armstrong, Architect for New District Office and Maintenance Buildings.

Mr. Johnson made a motion to approved Revised Amendment No. 3 to Architectural Services Agreement with Terry Armstrong, Architect for New District Office and Maintenance Buildings. Mr. Schlegel seconded the motion.

Mr. Johnson feels that the Architect is crucial to a good building and feels strongly that this motion needs to pass. Mr. Johnson is also pleased with the quality of construction of the new office and feels that the project is going well. Ms. Wright said she would like to see more open-ended contracts with architects in the future and feels that contract price changes should be in writing.

Mr. Doyle called for a vote and the motion to approve of revised amendment No. 3 to Architectural Service Agreement with Terry Armstrong, Architect for the New District Office and Maintenance Buildings passed unanimously.

F. Approval of Change Order No. 1 to Martin C. Lang General Contractor, Inc. Contract for the New District Office and Maintenance Buildings.

Mr. Stratton said that legal counsel provided direction to the Board in Executive Session and that there are no other related issues to discuss.

G. Award of Professional Services Agreements for CIP Mainline Replacement Designs

- 1. RS Engineering for the Orange Grove park/Tangerine Acres Mainline Replacement.**
- 2. ICON Consultants for the Northern Hills Mainline Replacement.**
- 3. Environmental Engineering Consultants for the Oracle Foothills No. 6 Mainline Replacement.**

Mr. Schlegel made a motion to accept all three professional service agreements for CIP Mainline Replacement Designs. Ms. Wright seconded the motion.

Mr. Johnson asked if the contracts include actual plans for where the fire hydrants are being installed. Mr. Stratton said that on part of the design they are shown. Mr. Johnson wanted to know if arrangements with fire districts had been made where they would provide hydrants similar to the La Cañada Fire District. Mr. Stratton said that the La Cañada Fire District project is almost complete and that La Cañada has a contract with Rural Metro through which they were able to promote issues for installing hydrants sooner than our program needed them. Mr. Johnson asked if the areas where there are no contributions will the plans include the T and shut off valves for the individual hydrants. Mr. Stratton said the plans will include the installation of hydrants as part of the mainline replacement program.

Mr. Doyle called for the vote on the motion to awarding professional service agreements for CIP mainline replacement designs to RS Engineering, ICON Consultants and Environmental Engineering Consultants. The motion passed unanimously.

H. Award of the Construction Contract for the Camino Del Fierro 24-inch Water Transmission Main.

Mr. Schlegel made a motion to accept the recommendation of staff in awarding the construction contract for the Camino Del Fierro 24-inch Water Transmission Main and recommend that the General Manager be authorized to approve the following changes to the construction contract: 1) allocate additional funding, a cumulative amount not to exceed \$20,000 and 2) increase the original

construction contract term a cumulative amount not to exceed sixty (60) calendar days. Ms. Wright seconded the motion.

Mr. Johnson said there is roughly \$20,000 difference between concrete, as compared to ductile iron pipe with the second low bidder. Since this is a 24" pipe and is more controllable than the 96" pipe that Tucson Water experienced problems with is concrete, he agreed that this is a good area to save 5% of the contract price.

Mr. Doyle called for a vote for the recommendation of staff in awarding the construction contract for the Camino Del Fierro 24-inch Water Transmission Main and recommend that the General Manager be authorized to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$20,000 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. The motion passed unanimously.

I. Award of Professional Service Agreement to Greeley and Hansen Engineers for Well Modification Design and Auxiliary Power Design.

Ms. Wright made a motion to award the Professional Service Agreement to Greeley and Hansen Engineers for Well Modification Design and Auxiliary Power Design in an amount not to exceed \$410,500 and authorization to proceed with the design with the auxiliary power design of the two sites within the Hub Water will not commence until authorized by the Board of Directors. Mr. Schlegel seconded the motion.

Mr. Schlegel wanted to know if the electrical grid for the whole region was down, would the District be able to service all of its customers after this contract is completed. Mr. Stratton explained that there are sites identified as more predominate sites located in critical areas that will need auxiliary power when the District cannot get electricity. The contract is not meant to include all sites, only the critical ones. Mr. Schlegel wanted to know if the area includes Northwest Hospital. Mr. Stratton said that Northwest Hospital was included and that staff was looking into strategically locating additional power sources so that the District can provide water to customers.

Mr. Johnson questioned the inclusion of referencing Hub until the District actually acquires Hub.

Mr. Stratton said that the reason for including it in the contract as a supplemental task was because the District will eventually need this task performed. If the District should acquire Hub within the contract period, Greeley and Hansen will not be authorized to design any auxiliary power until they have been authorized by the Board of Directors. Mr. Stratton said that it was put in the contract as a supplemental task so if we go through with the Hub acquisition, it can be included and if Hub is not purchased the work does not get done. We can also proceed by amending the contract to include the work but this just seemed an easier and more expeditious way of handling the contract. Mr. Johnson agreed with Mr. Stratton's explanation. Mr. Schlegel wanted to know if the contract, as worded, protects the District against Greeley and Hansen so that they would reduce the contract amount \$410,000 or whatever the amount was for not performing engineering work on the Hub

system. Mr. Stratton said the fee schedule has certain fees that are associated with certain tasks and if those tasks are not accomplished they are not reimbursed.

Mr. Doyle called for a vote for awarding the Professional Service Agreement to Greeley and Hanson Engineers for Well Modification Design and Auxiliary Power Design in an amount not to exceed \$410,500 and authorization to proceed with the design with the auxiliary power design of the two sites within the Hub Water will not commence until authorized by the Board of Directors. The motion passed unanimously.

J. Approval to Purchase Capital Equipment related to New Positions.

Mr. Schlegel wanted the General Manager to explain his position for the recommendation on why all costs would not be under the Capital Improvement Program (CIP). Mr. Stratton said some of the new positions were specifically related to the bond issuance and some to the CIP program. The positions of Customer Service Supervisor/Office Manager and Deputy Manager were positions that were necessary but were left to fill until the new office building was nearing completion. Those particular positions need computers and files. The CIP positions are related to the bond program to implement CIP projects and those positions will be funded out of bond proceeds and include civil engineers and inspector positions.

Mr. Schlegel made a motion to accept recommendation of staff to approve purchasing capital equipment related to new positions. Mr. Johnson seconded the motion and it passed unanimously.

K. Approval of Amendment to Purchase Agreement to Acquire Hub Water Company.

Lisa Chase, Legal Counsel for the District, clarified that the staff recommendation should be to approve the first amendment to the asset purchase agreement with Hub Water Company. This would be sufficient to accomplish what was discussed in executive session including extending the closing date.

Mr. Schlegel made a motion to approve the first amendment to the purchase agreement to acquire Hub Water Company and to authorize the General Manager to finalize the acquisition without substantially altering the purchase agreement and per Legal Counsel's review. Ms. Wright seconded the motion and it passed unanimously.

L. Effluent Acquisitions and Issues.

Mr. Stratton said this item was placed on the agenda to acquaint the Board about discussions with Oro Valley and Marana and the desire to build Northwest reclaimed system to serve all three entities. He indicated that Malcolm Pirnie conducted a feasibility study and found pipelines extending along the Rillito and the CDO to other facilities that could utilize reclaimed water. The study did include delivering reclaimed water to Tucson National Golf course and Amphi's School District. Both

entities have their own water rights and to get those systems off of groundwater would require some kind of subsidy. Tucson National utilizes 1,200 af/year which represents about 15% of the District's total supply. Mr. Stratton said this represents a significant amount and that the wells located near Tucson National have shown a more significant decline in groundwater levels than other wells in the District.

Mr. Stratton said the other intent of the agenda item was to gain the Board's support with respect to sending a letter to Bruce Babbitt, Secretary of the Interior, supporting the County's negotiating with the Bureau of Reclamation for SAWRSA effluent. It was felt beneficial to support the County's effort to secure this renewable supply for the Northwest region. Attached to the staff report is a draft letter based on input from Marana and Oro Valley. The letter will go out with all 3 entities on the top of the letterhead signed by the Mayor of Marana, and the Mayor of Oro Valley. Mr. Stratton said Chuck Huckleberry, County Administrator, has extended an offer to present a more in depth presentation with respect to the Malcolm Pirnie feasibility study and would be happy to meet with the Board to discuss plans.

Mr. Schlegel noted that the City of Tucson has said their cost for delivering effluent is approximately \$600 an acre foot. He questioned why the County claims it can do it for less. Mr. Stratton said Mr. Huckleberry felt that the County could deliver reclaimed water substantially cheaper than the City of Tucson. Mr. Stratton said the plan would require construction of an additional filtration facility at Ina Road with a pipe line extending along the Rillito, CDO wash and north down the Santa Cruz. Mr. Stratton said that all golf courses with the City of Tucson are on effluent and there are still some private systems including El Dorado and Rolling Hills. The City has yet to be proactive about extending its reclaimed system to Oro Valley. The IGA drafted with Town of Marana was similar to discussions between the District and City staff last summer in which the City made demands that were erroneous for the obligations placed on the Northwest entities. Mr. Stratton said the previous Board was not interested in entertaining such an IGA. On March 16, 1999 Chairman Bronson and Mr. Huckleberry will be in Washington meeting with Senator Babbitt on this issue.

Mr. Schlegel made a motion to recommend that the Board of Directors approve the Chair to sign a letter expressing support for Pima County's efforts to acquire sources of effluent for the Northwest Reclaimed System and to direct staff to continue to pursue beneficial utilization of the District's effluent. Mr. Johnson seconded the motion and it passed unanimously.

M. Legislative Update.

Mr. Stratton explained that the District's current lobbyist is on maternity leave for the rest of the legislative session. Her assignments have been given to another lobbyist whom the District will continue to work with on all issues. Mr. Tenney provided a more detailed update on HB 2283. This particular bill deals with creating a legislative committee to look at CAP allocation and determine its full utilization. The committee is specifically for the Tucson Active Management area and adds new members from Oro Valley, Marana, and an irrigation district. Mr. Tenney said that if this bill passes as written, there would be representation from a domestic water improvement district.

Mr. Schlegel said that originally this same bill had the potential of giving power to the Maricopa area and this concerned him. He was afraid that Maricopa County may say that the Tucson area is not using their full allotment and we could, as a region, find ourselves in trouble. Mr. Schlegel is not in favor of a committee being formed that may override those decisions. Mr. Tenney said that the proposed committee on CAP allocation is now specifically for the Tucson Active Management area and has removed the heavy representation in Maricopa. This was due to Maricopa's concern that the Committee may impact their CAP allocations in a negative way. Mr. Stratton said Mark Myers, Consultant to the District, is tracking other bills related to CAP closely. Mr. Stratton said that in his talks with Dennis Rule of the City of Tucson, that Dennis feels that the southern area of the state needs to band together because it does appear to be Maricopa vs. Pima County.

Mr. Schlegel asked that the District lobbyist keep the Board apprised of this information.

V. General Manager's Report

Mr. Stratton said the District's meter replacement program will be presented at next month's Board meeting. He discussed items including office manager duties with respect to the Customer Service Supervisor position and he will be talking to Board members regarding those areas. He said that the status on the bond issuance is that it has finally been completed.

Mr. Hill, Deputy Manager for the District, has been working on radon through Safe Drinking Water Task Force and had some information to distribute regarding radon testing and regulations and issues that could impact the District's operation. Mr. Hill noted that the Environmental Protection Agency (EPA) was considering rules that would regulate radon. Presently, it is not regulated. The proposed rules may be quite restrictive economically as well as in just physically monitoring. In anticipation for a radon mcl level that might adversely impact the District, staff feels that the District should monitor radon on a quarterly basis. Mr. Hill feels that the proposed rule needs to be watched closely.

Mr. Schlegel wanted to know what the American Water Works Association (AWWA) will do on radon. Mr. Hill explained that it is too early to tell until the EPA defines more of the issues. Mr. Stratton added that the EPA is also dealing with arsenic contaminant level. There is on going research determining levels of health risks. The EPA requirements will continue to be difficult for small water providers to meet.

Mr. Stratton said he would be gone for the rest of the week at a WESTCAS conference and that Mr. Hill would be available should anyone have any questions or concerns.

VI. Legal Counsel's Report

There was no further information under Legal Counsel's Report.

VII. Future Meeting Dates; Future Agenda Items


Mr. Stratton reminded everyone of the public hearing on March 23, 1999.

VIII. Adjournment

The meeting was adjourned at 7:15 p.m.



Clerk of the Board



Sam E. Ray, Chair of the Board